

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

STARRED QUESTION NO:212

ANSWERED ON:01.08.2016

Cess on Crude Oil

Saraswati Shri Sumedhanand;Yadav Shri Om Prakash

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the Government has taken note of dwindling crude oil prices and also high inventory globally and if so, the details thereof;
(b) whether India has taken any advantage of this drop in crude price and if so, the details thereof;
(c) whether 20 per cent cess is being levied on domestically produced crude oil and if so, the details thereof and the reasons therefor;
(d) whether the imposition of the said cess has impacted the upstream companies such as Oil and Natural Gas Corporation and Oil India Limited and if so, the details thereof and the reaction of the Government thereto; and
(e) whether his Ministry has requested the Ministry of Finance to review the said decision and if so, the details thereof along with the response of the Ministry of Finance thereto?

Answer

MINISTER OF STATE (I/C) IN THE MINISTRY OF PETROLEUM AND NATURAL GAS

(SHRI DHARMENDRA PRADHAN)

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of the Lok Sabha Starred Question No. 212 asked by Shri Sumedhanand Sarswati and Shri Om Prakash Yadav to be answered on 1st August, 2016 regarding "Cess on Crude Oil".

(a): The prices of crude oil in the international markets started falling from July 2014. The average price of Indian basket crude oil during the last 3 years and the current year are given below:

2013-14

2014-15

2015-16

2016-17

(up to 25.7.2016)

\$/bbl

105.52

84.16

46.17

44.01

Note - The Indian basket of Crude Oil represents a derived basket comprising of Sour grade (Oman & Dubai average) and Sweet grade (Brent Dated) of Crude oil processed in Indian refineries in the ratio of 71.03:28.97 during 2015-16 (for 2016-17).

(b): Due to reduction in international crude oil prices, the crude oil import bill for the country has reduced significantly. The details are given below:

Quantity

Value

Year

MMT

\$ Billion

Rs. Crore

2013-14

189.2

143.0

864875

2014-15

189.4

112.7

687416

2015-16 (P)

202.9

64.0

416361

2016-17 (April-June)(P)

53.2

15.8

105624

Source: Petroleum Planning & Analysis Cell.

The subsidy /under recovery on sale of sensitive petroleum products has also reduced as per details given below:

(Rs. Crore)

Particulars

2013-14
2014-15
2015-16
Q1 2016-17
Diesel
62837
10935
0
0
PDS Kerosene #
31255
24804
11496
1967
Domestic LPG #
52247
40569
16074
2128
Total
146339
76308
27570
4149

Includes Subsidy under "PDS Kerosene and Domestic LPG Subsidy Scheme, 2002" & "Freight Subsidy (For Far-Flung Areas) Scheme, 2002" on payment basis.

(c) to (e): Vide notification no 773 dated 28th March, 2016, the OID cess on the crude oil production from the fields under nomination regime and pre-NELP exploratory regime has been revised from Rs. 4500 per MT to 20% ad-valorem basis effective from 1st March 2016.

Since OID cess is a production levy and is not passed through to the buyers, any upward revision in OID cess rate results in higher tax incidence to the upstream companies under nomination regime such as ONGC and OIL and private/joint venture companies under Pre-NELP exploratory regime such as Cairn India Limited, ONGC, GSPC etc.

In view of the concerns expressed by the upstream oil industry, this Ministry has requested to Ministry of Finance to revise the rate of OID cess @ 10-12% ad-valorem instead of current level of 20% or alternatively consider introducing of a graded system of cess rate.

x-x-x-x-x